

# Processed Food Trade Deficit Continues in 2000

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**U**.S. exports of processed food and beverages were up 4 percent in 2000, following 2 years of small declines. In 2000, U.S. farmers, fishermen, meatpackers, and food processors exported \$30 billion worth of processed foods and beverages, falling short of the record level of \$31.3 billion set in 1997.

U.S. processed food imports grew 8.4 percent in 1999 and 5.9 percent in 2000. Processed food imports in 2000 were a record \$36.8 billion, exceeding U.S. exports and resulting in the third year of progressively larger food trade deficits. After posting a \$1.1 billion trade surplus in 1997, the United States registered processed food trade deficits of \$2.6 billion in 1998, \$5.8 billion in 1999, and \$6.8 billion in 2000. The U.S. trade deficit widens as American consumers spend more of their food dollars on French wines, Canadian seafood, Danish hams, Jamaican coffees, and other imported foods and beverages.

Processed food trade data take into account processed foods, beverages, and related products that fall under the U.S. Department of Commerce's Standard Industrial Classification Code 20 (SIC-20) for Food and Kindred Products. SIC-20 contains 49 separate food processing

industries, including fish and seafood, distilled liquors, and products from fats and oil mills. Production from these industries includes animal feeds, pet food, and inedible animal and plant by-products produced by many of the milling and livestock processing industries. Fresh, unprocessed fruits, vegetables, and nuts do not fall under SIC-20 (see box).

## Exports of Processed Foods up in 2000

After declining 1.8 percent in 1999, U.S. processed food exports rebounded by increasing 4 percent in 2000. The rebound was broad-based; only 17 of the 49 processed food industries had lower exports in 2000 than in 1999 (table 1). Only 4 of the top 10 export industries had smaller exports in 2000 than in 1999. Industries with the largest export increases in 2000 were butter (60 percent), sausages (28 percent), and candy (25 percent).

Meatpacking (including hides and skins) retained its top ranking as exports increased 16.1 percent to \$6.5 billion in 2000, the second straight year of growth (hides and skins accounted for \$1.8 billion). Exports to South Korea (up 54 percent) and China (up 118 percent) increased significantly in 2000. Japan (up 8 percent), South Korea and Mexico (up 22 percent), and Canada (up 13 percent) were the

U.S. meatpacking industry's top export markets in 2000. The top four countries imported 81 percent of all U.S. meatpacking exports. In 2000, the industry surpassed the record high exports of 1995. Most of the industry's export declines during 1996-98 came from lower sales of hides and skins.

Poultry exports to Russia, which bottomed out in 1998, rebounded sharply in 2000 and surpassed previous levels. Russia bought \$325 million worth of poultry, up 113 percent from 1999.

U.S. exports of fresh and frozen fish, products that are subject to the cyclical nature of fish harvests, also rebounded in 1999 and continued to increase, by 4 percent, in 2000 due to resurgent demand in Japan, where imports totaled \$1 billion. Fish and seafood exports to Japan dipped in the mid-1990s because of Japan's weakened economy. Several other Asian countries also increased their imports of U.S. fish in 2000. Japan, Canada, South Korea, and France remain the top four export markets for U.S. fish products. In 1999, fresh and frozen fish exports had the third-largest dollar increase of all processed food industries, increasing \$492 million, or 29 percent, over 1998.

The third and sixth largest U.S. processed food export industries—soybean milling and wet corn milling—posted declines in export sales in both 1999 and 2000 over previous years. China's curtailed

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Table 1

**U.S. Processed Food Exports Rebounded in 2000 After 2-Year Slump**

Industry	Exports		Change	
	1999	2000	1998-99	1999-00
	Million dollars		Percent	
Meatpacking	5,617	6,520	8.0	16.1
Fresh or frozen fish and seafood	2,175	2,271	29.2	4.4
Soybean oil mills	2,204	2,070	-26.5	-6.1
Poultry processing	1,888	2,035	-16.3	7.8
Other food preparations	1,377	1,372	13.1	-.4
Wet corn milling (oil and syrup)	1,270	1,237	-14.2	-2.6
Canned fruits and vegetables	1,209	1,212	5.7	.2
Frozen fruits and vegetables	877	859	.6	-2.1
Salted and roasted nuts and seeds	836	857	-14.3	2.5
Dry, condensed, and evaporated milk	778	820	4.2	5.4
Flavorings, extracts, and syrups	725	806	3.6	11.2
Pet food	632	775	-7.3	22.6
Dried fruits and vegetables	681	707	1.6	3.8
Rice milling	820	686	-.2	-16.3
Animal and marine fats and oils	718	610	-19.7	-15.0
Prepared animal feed	514	601	-7.0	16.9
Wines, brandy, and brandy spirits	551	564	1.4	2.4
Distilled and blended spirits	521	563	-4.2	8.1
Chocolate and cocoa products	437	535	12.0	22.4
Sausage and prepared meats	300	385	-16.0	28.3
Processed fishery products	467	384	35.3	-17.8
Vegetable oil milling	472	353	-12.1	-25.2
Sauces and salad dressings	320	345	6.4	7.8
Potato chips	322	299	6.1	-7.1
Flour and grain mill products	335	292	13.3	-12.8
Candy and other confectionery products	222	277	1.5	24.8
Bread and other bakery products	252	257	-8.6	2.0
Malt beverages	282	252	-16.5	-10.6
Soft drinks and carbonated water	264	252	1.7	-4.5
Roasted coffee	237	243	5.3	2.5
Breakfast cereals	225	215	-2.0	-4.4
Shortening and cooking oils	177	188	.4	16.6
Blended and prepared flours	142	153	3.2	7.7
Cookies and crackers	141	143	16.2	1.4
Natural and processed cheese	130	138	11.2	6.2
Canned specialties	89	104	19.9	16.9
Pasta products	112	97	-.7	-13.4
Ice cream and frozen desserts	89	91	2.0	2.2
Chewing gum	70	83	-13.5	18.6
Cane, beet, and processed sugar	153	158	-3.7	3.3
Frozen bakery products, except bread	63	67	.9	6.3
Cottonseed oil	54	51	-26.6	-5.6
Fluid milk	33	36	-24.7	9.1
Malt	39	32	-11.4	-17.9
Other frozen specialties	29	30	-31.8	3.4
Manufactured ice	12	11	51.4	-8.3
Creamery butter	5	8	-68.3	60.0
Total, all industries	28,866	30,044	-1.8	4.1

Note: These industries correspond to the 49 industries classified in the Standard Industrial Classification Code 20 (SIC-20). Three sugar industries, cane, beet, and processed, are combined for ease of presentation in this table.

Source: USDA's Economic Research Service.

purchases of soybean oil, corn oil, and corn syrup led to these declines.

Many highly processed products continued to show strong export performance in 2000. Sausage exports increased 28 percent to \$385 million, cocoa products increased 22 percent to \$535 million, candy exports increased 25 percent to \$277 million, and chewing gum exports jumped 19 percent to \$83 million. Pet food exports increased 23 per-

cent, and animal feed exports were up 17 percent in 2000.

Wine and brandy exports continued to grow but slowed considerably following their 28-percent increases in 1998 and 1997, posting gains of 1 percent in 1999 and 2 percent in 2000. Malt beverage exports, however, declined for the fourth straight year, dropping 11 percent in 2000. Distilled spirits exports increased 8 percent.

## Asian and European Countries Resume U.S. Purchases

Japan is the largest export market for U.S. processed foods, but its share of U.S. exports fell from 24 percent in 1996 to 19 percent in 1998. In 2000, Japan imported \$6.2 billion worth of U.S. processed foods and increased its share to 21 percent (table 2). U.S. exports to

Table 2

### Japan and Canada Are the Largest Markets for U.S. Processed Foods

Market	Exports		Share of U.S. processed food exports	Change	
	1999	2000		1998-99	1999-00
	<i>Million dollars</i>			<i>Percent</i>	
Japan	6,017.2	6,213.6	20.7	6.1	3.3
Canada	5,443.4	5,746.5	19.1	3.7	5.6
Mexico	2,882.6	3,369.0	11.2	1.0	16.9
South Korea	1,384.6	1,839.6	6.1	46.1	32.9
Hong Kong	930.0	885.3	2.9	-12.3	-4.8
United Kingdom	841.1	741.3	2.5	-1.1	-11.9
Taiwan	731.6	730.2	2.4	4.7	-.2
Netherlands	743.0	704.6	2.3	1.1	-5.2
China	452.0	661.5	2.2	-46.3	46.3
Germany	489.2	497.3	1.7	-20.7	1.7

Source: USDA's Economic Research Service.

## Exports of Fresh Fruits, Vegetables, and Nuts up in 2000

The United States exports and imports other foods that are not included in the 49 processed food and beverage industries under Standard Industrial Classification Code 20 (SIC-20), namely, fresh fruits, nuts, and vegetables. In 2000, exports of unprocessed fruits, nuts, and vegetables were strong. Nut exports increased 10 percent in 2000 after declining 13 percent in 1999. U.S. nut exports totaled \$1 billion in 2000.

U.S. exports of fresh fruits totaled \$1.8 billion in 2000, increasing 17 percent after declining 3 percent in 1999. Fresh vegetable exports declined 5 percent in 1999 but then increased 9 percent in 2000. Fresh vegetable exports totaled \$1.5 billion in 2000. The top six importers of U.S. fresh

fruits and vegetables are Canada, Japan, Mexico, Taiwan, Hong Kong, and the United Kingdom. Exports of canned and frozen fruits and vegetables were flat in 2000.

The import picture for fresh fruits, nuts, and vegetables in 2000 was decidedly mixed. Imports of fresh fruits into the United States increased only 1 percent in 2000, after a 40-percent increase in 1999. The 1999 increase was due mostly to expanded imports of fresh table grapes from Chile and Mexico; melons from Guatemala, Costa Rica, and Honduras; strawberries from Mexico; and other berries from Chile. The boom in fresh fruit imports leveled off in 2000 and early 2001. U.S. fruit imports totaled \$1.7 billion in 2000.

U.S. imports of fresh vegetables declined in 1999 by 4 percent but then rebounded by an equal amount in 2000. In 2000, the top vegetable imports were potatoes from Canada, followed by tomatoes and peppers from Mexico. The United States also imports substantial quantities of fresh vegetables from the Netherlands, Peru, Costa Rica, Guatemala, and the Dominican Republic. Fresh vegetable imports totaled \$2.4 billion in 2000.

U.S. nut imports decreased 6 percent in value in 1999 and another 2 percent in 2000. Because the United States is a major producer of nuts, imports were limited to only \$121 million worth of unprocessed nuts in 2000, a relatively small value.



The opening of a large pasta plant in Ames, Iowa, by Italian pasta giant Barilla affected U.S. pasta imports, which decreased in 1999 after two straight years of significant growth.

Japan increased 6 percent in 1999 and an additional 3 percent in 2000, following a 12-percent decline in 1998. The top five U.S. processed food exports to Japan are meatpacking products, fresh and frozen fish, frozen fruits and vegetables, pet food, and canned fruit and vegetables.

During 1998-2000, Canada's share of U.S. processed food exports rose slightly from 18 to 19 percent, while Mexico's U.S. export share increased from 10 to 11 percent. The top five U.S. processed food exports to Canada are meatpacking products, canned fruits and vegetables, fresh and frozen fish, food preparations (processed foods not elsewhere classified), and poultry. The top five U.S. processed food exports to Mexico are meatpacking products, poultry, chocolate and cocoa products, vegetable oil, and dried fruit and vegetable products.

From 1996 to early 1999, seven Asian countries (South Korea, Taiwan, the Philippines, Singapore,

Thailand, Indonesia, and Malaysia) struggled under weak currencies and floundering economies. The Asian financial crisis appears to be over. After sharp declines in U.S. exports to the entire region in 1997 and 1998, exports to South Korea rebounded strongly by 46 percent in 1999 and 33 percent in 2000. Taiwanese imports of U.S. food products increased 5 percent in 1999 and maintained this level in 2000. Both countries are among the United States top 10 export markets. U.S. processed food exports increased to most of the other recovering Asian countries as well.

U.S. exports of processed foods and beverages to both the United Kingdom (down 12 percent) and its former colony Hong Kong (down 5 percent) decreased in 2000. Exports to Russia, down 30 percent in 1998, dropped another 40 percent in 1999 and 6 percent in 2000. Russia, whose imports totaled \$467 million in 2001, slipped from the 6th largest importer of U.S. processed foods in 1997 to the 12th largest in 2000. U.S. exports to the Netherlands increased 1 percent in 1999, but fell 5 percent in 2000. Exports to France decreased 19 percent in 1999 but increased 5 percent in 2000. Total U.S. exports to Europe fell 14 percent in 1999 and 8 percent in 2000. The devaluation of the Euro, which has dropped from approximately 1.72 to U.S. \$1 in 1997 to 0.85 to U.S. \$1 in 2000, makes U.S. products more expensive for Europeans.

The development of China's vegetable oil processing industry and increasing incomes there have caused U.S. food product exports to China to fluctuate widely in the last 3 years—up 30 percent in 1998, down 47 percent in 1999, and up 47 percent in 2000. Soybean oil imports, which accounted for over \$485 million, or more than half of China's processed food imports from the United States in 1998, fell to just over \$10 million by 2000. This

decline was offset in 2000 by increased U.S. exports to China of meatpacking products, fresh and frozen seafood, and marine and animal oils. The United States also increased exports of raw soybeans and rapeseed to China for the newly on-line Chinese oil mills and crushing plants that likely accounted for declines in soybean oil imports.

## Import Growth Continues

U.S. imports of processed foods grew 5.9 percent in 2000, down from the 8.4-percent increase in 1999 and similar to the 5.8-percent increase in 1998. Import growth was spread broadly across the food processing sector.

Fresh and frozen fish and seafood remains the United States largest processed food import, up almost 10.5 percent to \$7.8 billion (table 3). (Fish is also the United States second-largest food export, moving past soybean oil and poultry in 1998.) Most U.S. fish imports come from Canada, Thailand, China, Mexico, Chile, and India. India has displaced Ecuador as the sixth-largest U.S. fish supplier.

U.S. imports of meatpacking products totaled \$3.9 billion in 2000. In addition to being the second-largest U.S. processed food import industry, meatpacking is the largest U.S. processed food export industry. While the United States primarily exports fresh and frozen cuts of beef and pork, it imports mostly frozen ground beef in bulk containers and lamb from Australia and New Zealand.

Alcoholic beverages are the third-, fourth-, and fifth-largest U.S. import industries. In 2000, imports of wines and brandy grew 4 percent, and imports of distilled spirits and malt beverages each grew over 15 percent. Collectively, these three industries account for 20 percent of total U.S. processed food imports. Canada, France, the United King-

Table 3

**Twenty-One Processed Food Industries Posted Declines in Imports in 2000**

Industry	Imports		Change	
	1999	2000	1998-99	1999-00
	<i>Million dollars</i>		<i>Percent</i>	
Fresh or frozen fish and seafood	7,094	7,837	8.6	10.5
Meatpacking	3,423	3,948	13.2	15.3
Wines, brandy, and brandy spirits	2,605	2,706	16.3	3.9
Distilled and blended spirits	2,117	2,441	14.4	15.3
Malt beverages	1,912	2,201	10.4	15.1
Processed fishery products	1,767	1,756	6.1	-.6
Canned fruits and vegetables	1,832	1,748	17.8	-4.6
Other food preparations	1,525	1,526	2.1	.1
Chocolate and cocoa products	1,522	1,404	5.5	-7.8
Vegetable oil milling	1,287	1,274	-10.1	-1.0
Frozen fruits and vegetables	1,004	1,002	13.6	-.2
Dry, condensed, and evaporated milk	648	784	-24.2	21.0
Natural and processed cheese	706	687	5.3	-2.7
Candy and other confectionery products	612	665	-3.6	8.7
Salted and roasted nuts and seeds	658	656	24.1	-.3
Cane and beet sugar	686	610	32.2	-11.1
Soft drinks and carbonated water	543	576	7.7	6.1
Sauces and salad dressings	460	501	20.9	8.9
Dried fruits and vegetables	446	476	19.6	6.7
Cookies and crackers	411	441	13.2	7.3
Bread and other bakery products	368	410	3.7	11.4
Roasted coffee	362	354	5.7	-2.2
Pasta products	307	303	-1.5	-1.3
Wet corn milling (oil and syrup)	283	283	-6.4	0.0
Prepared animal feed	231	264	1.1	14.3
Rice milling	197	190	1.1	-3.6
Frozen bakery products, except bread	143	180	-11.8	25.9
Breakfast cereals	146	149	-2.1	2.1
Chewing gum	127	137	-8.6	7.9
Sausage and prepared meats	138	129	.6	-6.5
Pet food	138	126	23.0	-8.7
Blended and prepared flours	121	123	11.8	1.7
Animal and marine fats and oils	92	103	-14.8	12.0
Flavorings, extracts, and syrups	115	93	13.6	-19.1
Canned specialties	100	92	1.7	-8.0
Manufactured ice	70	89	-20.3	27.1
Flour and grain products	89	85	6.7	-4.5
Shortening and cooking oils	90	79	23.4	-12.2
Poultry processing	63	78	14.3	23.8
Potato chips	57	75	6.3	31.6
Soybean oil milling	69	72	37.0	4.3
Malt	24	40	-43.2	66.7
Creamery butter	48	30	182.1	-37.5
Ice cream and frozen desserts	37	18	146.7	-51.4
Other frozen specialties	11	14	41.6	27.3
Fluid milk	18	13	130.7	-27.8
Cottonseed oil milling	6	3	-8.1	-50.0
Total, all industries	34,708	36,771	8.4	5.9

Note: These industries correspond to the 49 industries classified in the Standard Industrial Classification Code 20 (SIC-20).

Three sugar industries, cane, beet, and processed, are combined for ease of presentation in this table.

Source: USDA's Economic Research Service.



Table 4

**Canada Is the Largest Source of U.S. Processed Food Imports**

Market	Imports		Share of U.S. processed food imports	Change	
	1999	2000		1998-99	1999-00
	<i>Million dollars</i>			<i>Percent</i>	
Canada	7,749.8	8,400.5	22.8	12.6	8.4
Mexico	2,635.7	2,933.5	8.0	11.6	11.3
Thailand	2,043.7	2,233.9	6.1	11.7	9.3
France	2,035.4	1,964.8	5.3	17.8	-3.5
Italy	1,435.7	1,578.4	4.3	4.4	9.9
Australia	1,101.6	1,398.6	3.8	8.1	27.0
Netherlands	1,034.3	1,221.4	3.3	6.8	18.1
United Kingdom	1,165.8	1,199.8	3.3	15.5	2.9
New Zealand	950.2	1,073.2	2.9	-1.3	12.9
China	874.7	1,025.8	2.8	16.3	17.3

Source: USDA's Economic Research Service.

dom, Italy, the Netherlands, and Mexico are the top sources of alcoholic beverage exports to the United States. Wine and distilled spirits account for three-quarters of all processed food and beverage imports from France, while distilled spirits and malt beverages make up two-thirds of total processed food imports from the United Kingdom. Canned fruits and vegetables, the third-largest U.S. processed food import industry in 1996, is now the seventh largest.

Twenty-one of the 49 processed food industries posted a decline in U.S. imports in 2000. Among the top 10 processed foods imported into the United States, 4 had lower import totals in 2000 than in 1999. Imports of milk, butter, ice cream, and cottonseed oils and meals declined between 27 and 52 percent.

The popularity of imported pasta has subsided, with imports declining over 1 percent in 1999 and 2000 after 7 and 9 percent increases in the previous 2 years. Legislation curbing unfair trading practices has reduced Turkish pasta imports, and declining U.S. pasta consumption may also have contributed to the reversal in pasta imports. However, the opening of a large pasta-manufacturing plant in Ames, Iowa, by Barilla, Italy's largest pasta manu-

facturer and exporter to the United States, appears to have made the largest impact. Foreign companies use foreign direct investment as both an alternative and a complement to exports to sell products in the U.S. market (see "U.S. Food Companies Access Foreign Markets Through Direct Investment" elsewhere in this issue).

Chocolate and cocoa product imports declined 8 percent in 2000 after 3 years of healthy increases. Candy and confectionery products were up 9 percent in 2000, while imports of cookies and crackers increased 7 percent. Most snack food industries registered import gains between 5 and 10 percent in 2000.

### Import Sources Remain Stable

U.S. processed food imports come from a relatively small set of countries. Twenty countries supplied 90 percent of all U.S. food imports from 1996 through 2000. In 2000, the top 10 import countries supplied nearly 65 percent of U.S. processed food and beverage imports. Canada is by far the largest supplier of processed food imports to the United States. Its 23-percent share of the U.S. market is nearly three times that of Mexico, the second largest

importer (table 4). Major imports from Canada include meat products, fish, juices, liquors, and vegetable oils.

Imports from Mexico grew in 2000, capturing 8 percent of the U.S. processed food import market, after a 7-percent share in 1998. Leading imports from Mexico are fish, beer and distilled spirits, processed fruits and vegetables, and soft drinks. Thailand was the third-largest import supplier in 2000, supplying the U.S. market with \$2.2 billion worth of foods, mostly fresh and frozen fish and canned tuna.

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